

# Status of Mauritius Incorporation

**Ubongo is working with law firms and tax advisers to ensure**

- That the restructure complies with Tanzanian and Mauritius law and
- That the financial relationship between the holding company and operating company is favorable with respect to taxes.

**PHASE I (COMPLETE) – KPMG Tanzania and Mauritius has advised on the Tanzanian and Mauritius tax perspective.** They compared applicable taxes with different types of transactions in Mauritius with similar taxes in Tanzania in respect to the transfer of money.

Types of transactions explored include, service fees, Intellectual Property, Repatriation of profits/dividends to Ubongo Mauritius, loans from and to Mauritius, and revenue sharing. After much deliberation with Ubongo and a comparison of applicable taxes, KPMG has advised that the best option for the relationship between companies would be:

1. Establish a GBC1 registered company in Mauritius and transfer all shareholding from Tanzania to Mauritius, making Ubongo Tanzania a wholly owned subsidiary of Ubongo Mauritius.
2. Once investment is raised, sell current Intellectual Property from Ubongo Tanzania to Ubongo Mauritius. This sale will be subject to 18% VAT plus 30% income tax on gains (if there are gains).
3. For continued financing from Mauritius to Tanzania, Ubongo Mauritius will provide short term loans to Ubongo Tanzania to fund the creation of content and intellectual property.
4. Ubongo Tanzania will regularly pay back loans to Ubongo Mauritius in the form of the Intellectual Property Rights for the content created. These loan repayments will be subject to 10% withholding tax on interest.
5. Ubongo Mauritius would be owner of all IP to be licensed into other markets, and receive all revenue generated from outside Tanzania.
6. Ubongo Tanzania would maintain rights to distribute Ubongo's content and product in Tanzania, and generate income from local distribution, with a small royalty fee payable to Ubongo Mauritius.

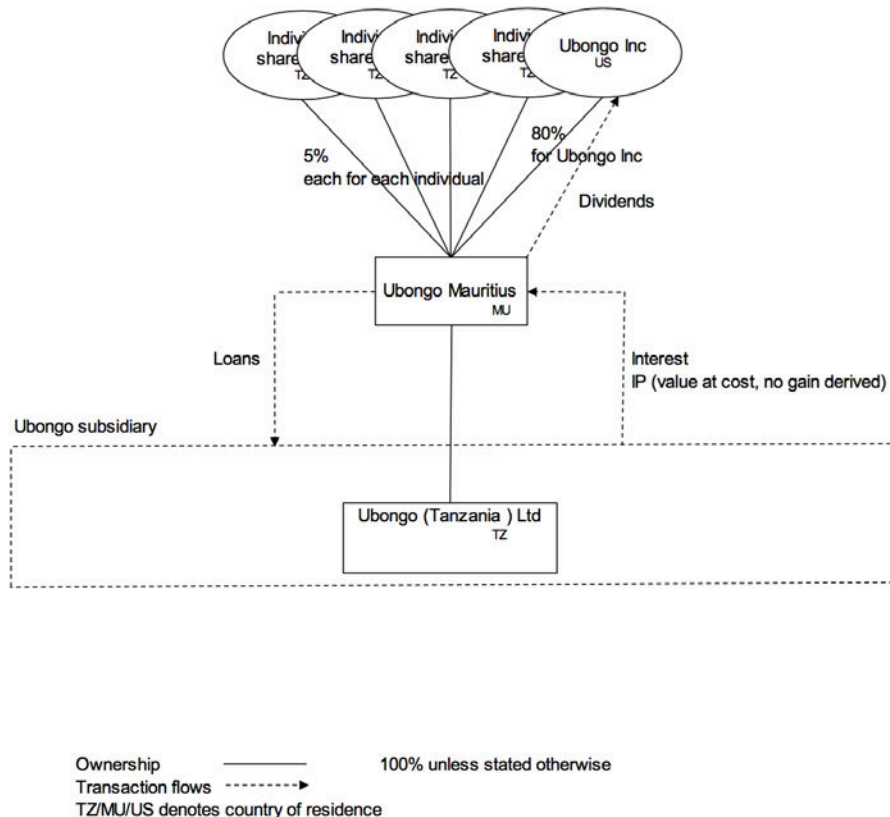
KPMG advises that;

*“the economical means of Ubongo Mauritius extracting profits from Ubongo Tanzania will be in the form of interest charges (10% withholding tax and tax-deductible) – and it is for this reason that debt-financing of Ubongo Tanzania is highly recommended, but subject to thin capitalisation rules. Also, interest income in Mauritius is subject to 15%, but with possibility of reduced rate of 3%, while in Tanzania, interest received is subject to income tax a rate of 30%*

*Also, transferring IP from Ubongo Tanzania to Ubongo Mauritius appears to be tax-inefficient for Ubongo group, due to the fact that transfer of IP attract transfer taxes (i.e. tax on the gain derived, and VAT). However, it is also possible to transfer the IP at the cost incurred to generate the IP, and therefore no gain derived, although we are of the view the TRA may challenge the cost value, on the basis that the transfer is between*



*related parties, but Ubongo Tanzania should be able to defend its cost incurred. In addition to that royalty payment from Ubongo Tanzania to Ubongo Mauritius as a result of transferring the IP, will attract a withholding tax of 15% in Tanzania, coupled with income tax of 15% (with possibility of reduced rate of 3%) in Mauritius as royalty income”*



## **PHASE II (IN PROGRESS) - Codan (Mauritius) Limited to register the Mauritius Company. (Est. Time: 2-3 weeks)**

Codan, a Conyers Dill affiliate, is to process the registration of the Mauritius entity. The Mauritius Company will be established with a Category 1 Global Business License. The filing process will take a few days as Codan needs to compile all the documents for the application of incorporation. It will take 7-10 days to obtain the license once the application is filed.

Codan will also provide the two directors required for Category 1 Global Business Licence and administration of the Company from a Mauritius compliance perspective, e.g liaising with the authorities, etc. and registered office address.

**PHASE III a - East African Legal Chambers (EALC) will advise and draft legal documents necessary to transfer IP, Shares into Mauritius and create an employee option pool. (Est. Time: Two weeks)**

**Scope of work;**

- Draft agreement to transfer IP from Ubongo Ltd. to the Mauritian holding company
- Draft agreement that enables Ubongo Ltd. to repatriate profits from Tanzania to Mauritius – though it is not intended that this would be done, as to Tanzania being a cost center and where we intend to continue producing content.
- Review agreements drafted by Ubongo Ltd. regarding the employee share option scheme.

**PHASE III b - Conyers Dill will advise on the Mauritian legal perspective.** They will start work simultaneously with EALC once the Mauritian entity is formed.

**Scope of work;**

- Liaise with the service provider in respect of the incorporation of the Mauritius Company
- Advise on the transfer/assignment of IP rights to the Mauritius Company
- Make the necessary filings and liaise with the Mauritius authorities for the registration of the IP rights in the name of the Mauritius Company
- Review/draft the service agreements for the operational services to be provided to the Mauritius company
- Advise on the proposed structure from a legal perspective
- Advise in connection with the capital contributions into the Mauritius company and review relevant documentation